

SAFETY DEFECT REPORT
49 CFR PART 573

On July 16th, 2004, Kwang Yang Motor Co., LTD. (KYMCO) decided that a defect which relates to motor vehicle safety exists in the motor vehicles listed below, and is furnishing notification to the National Highway Traffic Safety Administration in accordance with "49 CFR Part 573 Defect and Noncompliance Reports".

Report prepared, 7.20.04

Manufacturers identification code is "RFB".

Manufacturers corporate name:

Kwang Yang Motor Co., LTD.

Appointed USA Agent:

STR Inc. Motorsports Division
1770 Campton Rd.
Inman, SC. 29349

Contact Name:

Joe Wofford
Director of Technical Services
Phone #: 864-472-2622 ext. 233
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Report prepared by:
Joe Wofford
Director of Technical Services

Signature:

I. MODELS INVOLVED IN THIS RECALL.

Make: KYMCO Model year involved: 2004-05 Model: Super-9 & Vitality

Production Dates: Beginning: February 2004 Ending: July 2004

VIN Range: Super 9

Beginning: RFBSHAAE94B370305 Ending: RFBSHAAEX5B370915

VIN Range: Vitality

Beginning: RFBU3A0494B130106 Ending: RFBU3A0495B130419

Vehicle Type: Motor Driven Cycle Body style: 2 wheeled motor vehicle.

The affected models are distinguished from the unaffected models by the model names (Super-9 and Vitality), engine number prefix (SF10K & SH10B) production date (February 2004) and embossed casting number (KEB7-1).

Based on preliminary inspections, it is expected that approximately 60 to 70 percent of the named models will be affected by this recall condition.

II. Recall Population.

Total number of vehicles recalled potentially containing the defect:

Model	Year	Number of vehicles potentially involved.
Super-9	2004-05	610 pcs.
Vitality	2004-05	313 pcs.
Total number:		923 pcs.

Approximate percentage of the total number of units estimated to contain the defect: 554 units = 60%.

The recall population was determined by notification from the Manufacturer KYMCO regarding products produced from February 2004 marked with a potential engine case mould number KEB7-1 and the number of units imported into the USA from the date

mentioned. In addition inspections were made to units in the USA to help determine the percentage of units imported from February 2004 with the casting mark KEB7-1. Approximately 60 percent of the above mentioned units are marked with KEB7-1 while the remaining 40 percent are marked with KEB7-2. Engines marked with KEB7-2 but share the model names as mentioned above are determined by the Manufacturer to be unaffected by this recall.

III. DESCRIPTION OF THE DEFECT.

Description of the nature and physical location of the defect:

The nature of the defect is a breakage of the left side engine mount casting located at the connection point of the engine mount to the engine case.

Description of the cause of the defect:

The defect is caused by a modification made to the engine case mould in advertently causing a weakness in the casting that surrounds the engine mount.

Description of the consequences of the defect:

The engine serves as part of the rear suspension and the engine mount is a pivot point for the suspension. Therefore, if the left side engine mount breaks the suspension can collapse causing the vehicle to become unstable.

Warning signs for this condition:

There are no warning signs that will alert the operator of this condition prior to the occurrence. The breakage can occur after taking a hard street impact such as hitting a large pothole in the road.

IV. Chronology in determining the defect.

Chronological summary of all principle events that were the basis for the determination of the defect. Summary includes but is not limited to, the number of reports, accidents, injuries, fatalities and warranty claims:

June 25th 2004:

The Technical Support Department of STR Inc., Motorsports Division received two reports from different dealers regarding rear suspension failure on two Super-9 models. The dealers were instructed to provide the VIN and engine numbers in order to send the data to the manufacturer. Neither case resulted in an accident or injury

June 28th 2004:

The Technical Support Department of STR Inc., Motorsports Division received a report from a third dealer regarding the same condition. The incident did not result in a traffic accident or injury of any kind

June 28th 2004:

A report was issued to the Manufacturer including VIN number and a letter of concern about possible injuries as a result of this kind of failure.

June 29th 2004:

STR Inc., Motorsports Division received a reply from the Manufacturer's QC acknowledging our concerns and advising that they will study the events as described in our message of the 28th.

July 5th 2004

The Technical Department of STR Inc., Motorsports Division was advised of another case regarding this condition. There were no reports of a traffic accident or injury related to this occurrence.

July 6th 2004

The Technical Department of STR Inc., Motorsports Division was advised of another case regarding this condition. There were no reports of a traffic accident or injury related to this occurrence.

July 9th 2004

KYMCO advises STR Inc., to inspect physical inventory for all engine cases marked with KEB7-1. They further advised that engines marked with KEB7-1 could have a flaw in the casting and that we must provide them with an estimate of how many were on hand and how many were sold to dealers and consumers.

July 12th 2004

STR Inc. begins physically inspecting vehicles for the engine casting mark KEB7-1.

July 19th 2004

Based on reports from physical inspections KYMCO agree to implement a Safety Recall.

V. REMEDY

Description of remedy for defect.

The part causing the defect is essentially one half of the engine. In order to repair the defect the engines must be disassembled and then reassembled with the new part. However, due to the high cost and long repair time, KYMCO has agreed to replace the entire engine. The new engine will be cast from the KEB7-2 mould that does not exhibit the defect.

Distinguishing characteristics of the remedy component.

The component in the case of this recall is the entire engine assembly. The positive method for determining the defective component is by an embossed casting mark located on the left side engine case between the rear axle and the starter motor but only visible from the right side of the vehicle. The defective part will be marked with "KEB7-1, while the remedy component will be marked with "KEB7-2".

Corrections made to production line.

KYMCO determined that the cause of the defect was due to a modified engine case mould on July 14th. As a result the engine mould was destroyed and cannot be used for any further production models. The remedy to production models is the same as the recall remedy. Only engines cast with the mould marked KEB7-2 will be used for production in the future.

VI. RECALL SCHEDULE.

1. STR Inc. has identified by VIN which vehicles were produced from February to current date and has also determined which representing dealer has purchased the potentially affected models.
2. STR has identified by VIN all consumers who have purchased potentially affected models and have submitted warranty registration cards.
3. STR has prepared a Technical Bulletin for the dealer and Safety Recall Notice to the consumer.
4. STR will send via registered mail and via email where possible starting July 22nd 2004.

5. STR will send a list of VIN's to the dealer of potentially affected models via fax, email and mail beginning July 23rd.
6. STR Inc. will post a notice regarding this recall on the KYMCO USA website by July 28th 2004.
7. KYMCO will send a team of engineers to the USA to correct any unsold units in STR Inc. inventory as soon as Visa's are acquired and arrangements are made for tools and materials to be delivered to STR Inc. Date is unknown at this time.

Foreseeable problems with implementing the recall:

1. STR Inc. cannot make direct contact with the retail consumer if he or she has not submitted the warranty registration card.
2. STR Inc. cannot make direct contact with owners of potentially affected models if the original owner has sold the vehicle to another party.
3. STR has required dealers to follow up customer contacts by sending the consumer letter again based on their customer records. However, if the dealer does not maintain proper records, the dealer will not be able to contact his customer base.
4. Delivery of replacement engines will be based on estimated quantities. This is to be able to have engines on hand according to the dealer's request. However, if the estimates are incorrect there could be some delays in supply.

TECHNICAL ADVISORY. SAFETY RECALL NOTICE

Dear Valued KYMCO Customer,

This notice is sent to you in accordance with the requirements of the National Traffic and Motor Vehicle Safety Act.

REASON FOR RECALL

KYMCO has determined that a defect which relates to motor vehicle safety exists in certain 2004 Super-8 and Vitality models. These vehicles have the potential for a breakage of the left side engine mount resulting in a rear suspension failure.

WHAT WE WILL DO.

If your vehicle is found to have this potential defect, KYMCO will replace all related parts at no cost to you.

WHAT YOU MUST DO.

Our records indicate that you have purchased a 2004 year model KYMCO brand Super 8 or Vitality scooter. If this is correct, we are advising you to arrange a service date so your dealer may order the necessary parts for the repair. Instructions for making this correction have been sent to your dealer and the parts are available. The labor time necessary to perform this service is approximately 1 hour. Please ask your dealer if you wish to know how much additional time will be needed to schedule and process your vehicle.

Your KYMCO dealer is best equipped to obtain parts and provide service to ensure that your vehicle is corrected as promptly as possible. If, however, you take your vehicle to your dealer on the agreed service date, and they do not remedy this condition on that date or within 3 days, we recommend you contact KYMCO USA customer service by calling 1-800-845-7807.

After contacting your dealer and KYMCO USA customer service, if you are still not able to have the safety defect remedied without charge and within a reasonable time, you may wish to write the Administrator, National Highway Traffic Safety Administration, 400 Seventh Street, SW, Washington, DC 20590 or call 1-888-NHTSA-2-STOP (1-888-327-4236). Washington DC residents use 1-202-386-8123.

The enclosed owner reply card identifies your vehicle. Presentation of this card to your dealer will assist in making the necessary correction in the shortest possible time. If you have sold or traded your vehicle, please let us know by completing the postage paid reply card and returning it to us.

We apologize for any inconvenience this may cause you. However, we have taken this action in the interest of your safety and continued satisfaction with KYMCO products.

Best Regards,

**Joe Wofford
Director of Technical Services**

SAFETY DEFECT SERVICE BULLETIN

Attention KYMCO Dealers:

07/22/84

The National Traffic and Motor Vehicle Safety Act, as amended, provides that each vehicle which is subject to a recall of this type must be adequately repaired within a reasonable time after the owner has tendered it for repair. Failure to repair within sixty (60) days after tender of a vehicle is prima facie evidence of failure to repair within a reasonable time.

If the condition is not adequately repaired within a reasonable time, the owner may be entitled to an identical or reasonable equivalent vehicle at no charge or to a refund of the purchase price less a reasonable allowance for depreciation.

To avoid having to provide these burdensome solutions, every effort must be made to promptly schedule an appointment with each owner and repair their vehicles as soon as possible. As you will see in reading the attached copy of the letter being sent to the owners, the owners are being instructed to contact the KYMCO USA Customer Service if their dealer does not remedy the condition within 3 days of the mutually agreed upon service date. If the condition is not remedied within a reasonable time, they are instructed on how to contact the national Highway Traffic Safety Administration.

DEFECT INVOLVED:

KYMCO Quality Control Department has determined that a defect exists on certain Super-8 and Winity models. These vehicles may have a casting flaw on the left hand side engine case at the base of the engine mounting point. On these models the engine is a functional part of the rear suspension. If the defect is found to exist on these models, the result can be a breakage of the engine mount causing a rear suspension failure.

VEHICLES INVOLVED:

Involved are certain Super-8 models built within the following VIN range:
R783M4E94K370000 and R783M4E94K370010.

Also involved are certain Wally models built within the following VIN range:
R783M4E94K370100 and R783M4E94K370110.

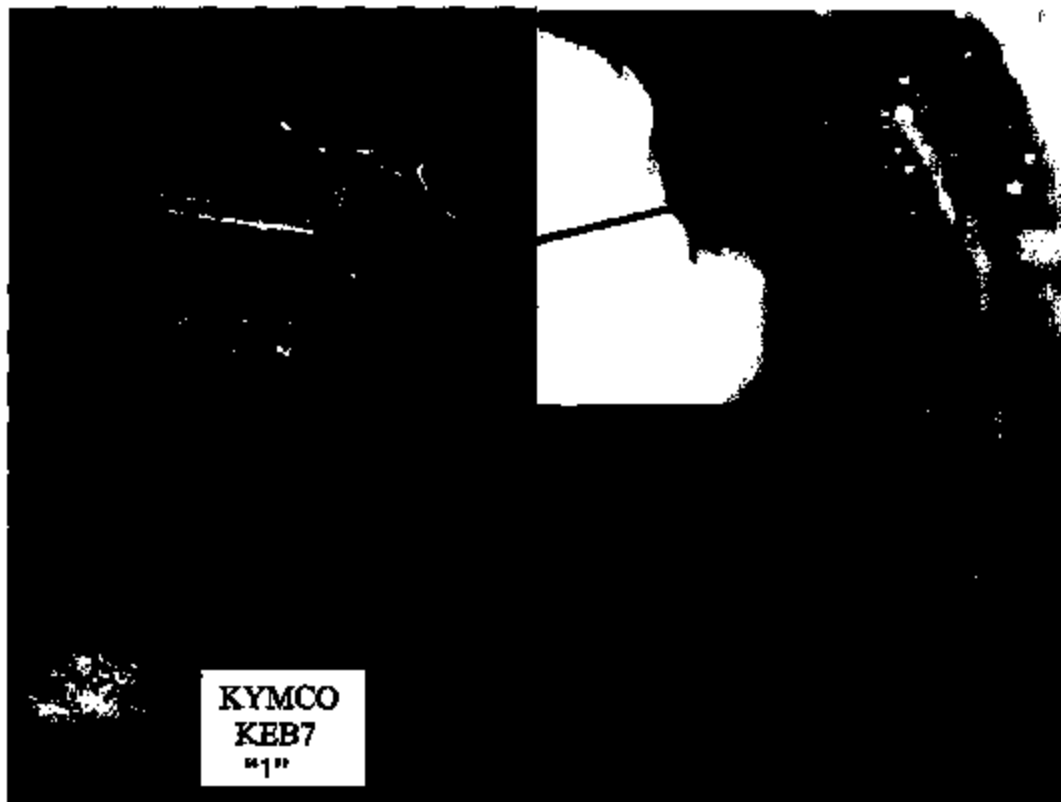
Involved vehicles have been identified by VIN based on data of manufacture, by inventory receiving data and by data supplied by KYMCO regarding the potentially affected models. All customer information was accumulated from warranty registration cards returned to STI Inc. Motorsports Division.

DESCRIPTION OF DEFECT:

The casting at the engine fixing point on the left side engine case is weak causing the potential for the engine cast to break. See photo of broken engine mount.



Each 2004 Super 8 and Wally must be inspected for the following identification number embossed on the engine case as seen in the photos below. ("KYMCO-KEN7-T") If the number "T" appears, the unit has the potential for a faulty casting.



STH will provide a list of VIN's that must be inspected along with warranty registration data in order to make contact with the retail customers.

Plan of action.

- 1. Contact all customers who have purchased a Super 8 and Vitality and advise them to bring their unit in for inspection. If the customer unit is determined to have the "T" embossed in the casting and was produced in February or after as a 2004 or 2005 model, please contact KYMCO USA immediately. The solution for this condition is replacement of the engine.**
- 2. Suspend all retail sales of Super 8 Vitality models until each model model has been inspected. Report all VIN numbers to KYMCO USA verifying all units marked with a "T" or "Z". If the "T" is embossed in the engine case, contact KYMCO USA immediately and a replacement engine will be supplied. DO NOT SELL ANY Super 8 or Vitality model until it has been inspected and repaired if necessary.**

REIMBURSEMENT FOR RECALL:

Please submit all claims for reimbursement on the standard KYBCO warranty claim form. The time allowed for this repair is 1 hour.

All defective engines must be returned to KYBCO USA in order to be reimbursed for the repairs on each unit.

If you have any questions regarding this situation. Please contact the KYBCO USA technical department at 800-845-7007 extension 233 or 231.